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Nonpartisan Analysis Shows Benefit To Middle-Class Families

Senate's Tax Cut: Big Savings for the Future

According to the Center for Data Analysis, run by the nonpartisan independent Heritage Foundation, the Senate's tax-cut bill will provide significant tax relief to America's middle-class families. For instance, a two-earner, four-person family making \$75,000 would receive a \$1,403 cut in the family's income tax bill in 2006. The family next door with \$75,000 in income earned by a single earner would receive a \$1,067 income tax cut. That's the kind of the money that can go a long way toward allowing families and America to save for our future.

With real relief like this, it is no wonder that the Republican tax-cut bill received bipartisan support; yet, it makes President Clinton's anti-tax-cut extremism all the stranger. How could the President not support real tax relief when it can be done in a fiscally responsible manner? CBO projects a non-Social Security surplus over the next 10 years of \$1 trillion (and \$3 trillion overall). The tax cut is financed exclusively with non-Social Security dollars — it's merely returning income tax overpayments to the people who made them.

Single Earners:

- A family of four with a single earner making a \$75,000 income (in 1999 dollars) would receive a \$449 tax cut in 2002, and \$1,067 in 2006.
- An individual with an annual \$37,500 income (in 1999 dollars) would receive a \$269 tax cut in 2002, and a \$584 cut in 2006.

Two-earner Families:

- A family of four with an annual \$75,000 income (in 1999 dollars, and income split 60-40 between spouses) would receive a \$1,067 tax cut in 2006 if the family filed jointly. A family making \$95,000 would receive the same tax cut filing jointly, but — because of the Senate bill's marriage penalty relief — would receive a tax cut of \$1,777 if the spouses filed separately. [Note this latter figure was based on the bill as reported, and so the figure will be higher as a result of the Hutchison amendment which accelerates savings to marriage relief provisions.]
- A family of four with an annual \$75,000 income (1999 dollars, but income split 55-45 between spouses) would receive a \$1,403 tax cut if filing separately, and a family making \$95,000 would receive \$2,474 if filing separately (both figures pre-Hutchison amendment).

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Changes in Individual Income Tax for H.R. 2488 and S. 1429 for Select Provisions¹

Table 1
One-Earner Families
(Amounts in Dollars)

Filing Status	Number of People in Family	1999 Income	Type of Deduction	Tax Year 2002			Tax Year 2006			Tax Year 2009		
				Current Law Tax	Change from Current Law		Current Law Tax	Change from Current Law		Current Law Tax	Change from Current Law	
					H.R. 2488	S. 1429		H.R. 2488	S. 1429		H.R. 2488	S. 1429
Joint	4	75,000	Itemized	9,069	-115	-449	9,745	-520	-1,067	10,213	-1,021	-1,259
Joint	4	95,000	Itemized	13,894	-166	-449	15,071	-806	-1,067	15,948	-1,595	-1,259
Single	1	37,500	Standard	5,759	-72	-269	6,198	-331	-584	6,516	-652	-685
Single	1	47,500	Standard	8,774	-105	-269	9,526	-509	-584	10,101	-1,010	-685

Table 2A
Two-Earner Families in 2006
(Amounts in Dollars)

Income Split	Number of People in Family	1999 Income	Type of Deduction	Current Law Tax	Tax Year 2006			
					Change from Current Law			
					H.R. 2488	S. 1429		
					Net Tax Change	Filing a Joint Return	Filing Two Single Returns	Net Tax Change
60/40	4	75,000	Itemized	9,745	-520	-1,067	-779	-1,067
60/40	4	95,000	Itemized	15,071	-806	-1,067	-1,777	-1,777
55/45	4	75,000	Standard	9,745	-520	-1,067	-1,403	-1,403
55/45	4	95,000	Standard	15,071	-806	-1,067	-2,474	-2,474

Table 2B
Two-Earner Families in 2009
(Amounts in Dollars)

Income Split	Number of People in Family	1999 Income	Type of Deduction	Current Law Tax	Tax Year 2009			
					Change from Current Law			
					H.R. 2488	S. 1429		
					Net Tax Change	Filing a Joint Return	Filing Two Single Returns	Net Tax Change
60/40	4	75,000	Itemized	10,213	-1,021	-1,259	-509	-1,259
60/40	4	95,000	Itemized	15,948	-1,595	-1,259	-2,319	-2,319
55/45	4	75,000	Standard	10,213	-1,021	-1,259	-1,181	-1,259
55/45	4	95,000	Standard	15,948	-1,595	-1,259	-2,319	-2,319

¹ The provisions included in this analysis are: changes in tax rates, brackets, and the Senate election allowing married joint taxpayers to file single returns on a consolidated form. The Senate amounts reflect the bill as reported, not as passed.

Note: Tax calculations include indexation for value of exemptions, the standard deduction, the itemized deduction limitation threshold, and the tax brackets. The income is earned income and the 1999 levels have been indexed for inflation. CBO's projection of CPI-U was used to index income and tax provisions. Married joint filers are assumed to claim itemized deductions of 20% of income and to split itemized deductions evenly.